

Gramont suffers losses as US technology stocks recover in July

Stockholm (HedgeNordic) – The Finnish long/short equity fund, Gramont Equities Opportunities, continued its recent string of losses in July with a net loss of 5.3 percent. This brings year-to-date returns to -20.9 percent, marking the fund's lowest point since inception. The current drawdown is the longest and deepest experienced by the fund. It currently stands at around 24 percent measured from the peak in June 2016, HedgeNordic data suggest.

Having rebounded in June, the fund again suffered from its short equity exposure and thematic strategy in July. Short positions in Nasdaq 100 futures and a basket of momentum technology stocks weighed heavily on the strategy. In July, US tech stocks rebounded strongly from the sell-off in June with the Nasdaq 100 Index progressing 4.1 percent on the month.

All three of the fund's sub-strategies had a negative contribution during the month. Apart from the thematic strategy which saw losses of 3.6 percent, the single stock and special situations strategies added to losses with negative returns of 1.2 percent and 0.6 percent respectively. The short book had a net negative contribution of 6.2 percent while long positions gained 0.9 percent on the month.

According to the fund managers outlook and portfolio positioning comment, the fund remains positioned with a significant net short exposure in the equity market allocation, where most of the short exposure remains in US technology stocks.

"We believe the risk of a near-term correction seems high given extended equity market valuations, high level of investor complacency which tends to precede negative returns, and the elevated risks around the monetary tightening cycle", Gramont writes in comment.

Going into August, the fund had a negative net exposure of 80 percent.

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